



# Japan: Business Aviation Industry

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## Summary

Japan's business aviation industry is famously underdeveloped considering that the nation has the world's second largest economy. Graphic depictions of a country's Gross Domestic Product (GDP) versus its number of registered business aircraft depict Japan as a clear outlier. Reasons for this include the heavy promotion and protection of the rail and passenger airline industries, and an extraordinarily risk-averse and anti-entrepreneurial regulatory environment.

Nevertheless, business flights have increased dramatically in Japan in recent years, albeit from a very low base. Compared with the first half of the decade when there was little or no appreciable increase in business aircraft utilization, the time period since 2005 has witnessed remarkable growth. For example, the number of international flights in 2007 went up 80% (from 1270 to 2284) and domestic flights have increased 26% (7457 to 9403) from 2006.

The three key success factors required for market development are the elimination of overly burdensome rules and policies (deregulation), the creation of a (currently non-existent) regulatory framework designed specifically with business aviation in mind (necessary regulation), and infrastructure development. There are promising signs of progress in all three areas. Accordingly, significant expansion of the market is possible, if not likely, in the next five to ten years, with an especially strong focus on inter-Asia transportation as Japanese firms expand and strengthen their ties with partners, joint ventures, and wholly-owned investments in China, Southeast Asia, and India.

Despite worldwide reasons for economic concern, agents of U.S. business jet suppliers unanimously report increased inquiries and orders from prospective customers in Japan. Ironically, many will likely remain unfulfilled for some time due to huge backlogs currently carried by aircraft suppliers worldwide, although some prospective customers will get lucky as other buyers, buffeted by current economic trends, postpone or cancel orders. While it will take many years for Japan's business aviation industry to reach levels matching its economic power, awareness of antiquated laws, unnecessary regulations, and lack of proper infrastructure is leading to solid deregulatory (and desired regulatory) steps thanks to the efforts of industry players and U.S. government agencies working with their Japanese counterparts responsible for promoting civil aviation.

## Market Demand

Much of Japan's economy is based on the strength of the global business activities of its leading corporate citizens, typically famous brand manufacturers of automobiles, consumer goods, and other products. The executives and managers of these companies travel widely. Until now, however, nearly all travelers have been totally dependent on scheduled airline flights. The use of business jets is rarely considered. However, the increasing ferocity of global competition, increasingly problematic airline availability and cost, the time and other limitations of international travel security, and the risk of not being able to travel at all (as in the case of another major terrorism-related incident) are forcing Japanese companies to seriously consider using business jets on a regular basis. The statistics below show the rapid growth in business jet use in 2007. This parallels increasing orders and inquiries from prospective customers from Japanese agents of U.S. business jet manufacturers, who are now concerned about delivery delays of more than two years in many cases. Major suppliers are carrying large backlogs due to skyrocketing worldwide demands; the agent of one U.S. manufacturer placed pre-emptive orders for

twelve aircraft to prepare for expected future customer demand.

One point of leverage in encouraging the Government of Japan to focus more on business aviation is the fact that the Tokyo Municipal Government is bidding to host the 2016 Olympic summer games. The organizing committee understands that the ability to welcome VIPs (many of whom are accustomed to traveling by business jet) is an indispensable factor in successfully mounting a bid to host the Olympics. Accordingly, they have begun studying ways to improve the capacity for business jets at Tokyo's Haneda airport and also to identify possible alternative airports in the crowded Tokyo region.

## Market Data

### Business Aircraft Landings at Airports in Japan

The use of business aircraft (usually twin-engine jets) in Japan is demarcated between Japan-registered (registration numbers beginning with "JA") aircraft flying almost exclusively between two domestic locations – and foreign registered (usually U.S. or "N" registered) aircraft used for international flights. Nearly all international flights use foreign-registered aircraft as current Japanese regulations make it almost impossible to use JA-registered aircraft for international flights.

Anecdotal evidence suggests that domestic flights are dominated by tactical or individual (i.e., CEO) travel while international flights are more strategic or corporate (i.e., senior and mid-level management) oriented.

Year	JA-registered aircraft number of landing	Growth %	Foreign-registered aircraft number of landing	Growth %
2000	3388	base	1059	base
2001	2846	-16	1064	+1
2002	3166	+11	1208	+14
2003	3369	+6	1109	-8
2004	3559	+7	1262	+13
2005	n/a	n/a	n/a	n/a
2006	7457	base	1270	base
2007	9403	+ 26	2284	+80

Note 1: Compiled by the Japan Business Aircraft Association based on data from the Japan Civil Aviation Bureau

Note 2: Counting method was changed in 2005

Note 3: Foreign-registered aircraft in many cases includes aircraft owned by Japanese companies or individuals

### Primary airports

According to the Japanese Business Aircraft Association (JBAA), two Tokyo-area airports (Narita and Haneda) account for 44% of all international business jet activity. Conversely, although they are used almost solely for relatively short, within-Japan domestic flights, JA-registered aircraft account for more than twice as many departures and landings.

JA-registered aircraft	
Komaki (Nagoya)	815
Matsumoto (Nagano)	743
Yao (Osaka)	625
Hakodate (Hokkaido)	513
Haneda (Tokyo)	451
Okayamako-south (Okayama)	326
Okadama (Hokkaido)	256

<b>Foreign-registered aircraft</b>	
Narita (Tokyo)	763
Kansai (Osaka)	292
Haneda (Tokyo)	263
Chitose (Hokkaido)	233
Komaki (Nagoya)	164

#### Primary JA-registered aircraft

Because JA-registered aircraft are so difficult to operate on international flights due to existing Japanese regulations, they are almost solely used for domestic flights and their size tends to fall in the small to mid-size categories.

<b>Primary JA business aircraft</b>	<b>Number</b>
Cessna Citation CJ2 525A	9
Cessna Citation 5 Ultra560	6
Gulfstream 2	1
Learjet 45	2

\* Compiled by JBAA based on data supplied by the Japan Civil Aviation Bureau

#### Primary foreign-registered aircraft landing at airports in Japan

The top five aircraft models account for 70% of the total. As many were purchased for the express purpose of intercontinental travel, they tend to be the larger, long-distance, later models such as Gulfstream and Boeing Business Jets (BBJs). These are used for flights from/to Europe, the U.S., and increasingly continental Asia.

<b>Make of Aircraft</b>	<b>Number of landings</b>
Gulfstream G550	120
Gulfstream 4	119
BD-700 Global Express	71
Falcon 900	67
Canada air CL-600 Challenger	55
737-800 BBJ	21
Falcon 2000	21
737 BBJ	16
Lear jet U-36 LJ35	14
Beech King Air	9
Falcon 50	9
Others	108

\* Compiled by JBAA based on data supplied by the Japan Civil Aviation Bureau

#### Departure countries of foreign-registered aircraft arriving in Japan

<b>From</b>	<b>2006</b>	<b>2007</b>
Europe (incl. Russia)	69	211
China (incl. Hong Kong and Macao)	206	622
Asia/Oceania	180	349
North America	458	512
Japan (inside Japan)	357	575
Total	1270	2284

\* Compiled by JBAA based on data supplied by the Japan Civil Aviation Bureau

## Best Prospects

The fact that the world's second largest economy is increasingly dependent on global networks suggests the existence of a very substantial latent market for business aircraft capable of non-stop flights at least to most of the major economic regions in continental Asia. At present there are no domestic manufacturers of business jets, leaving foreign (primarily U.S.) companies with no local competition for actual aircraft sales.

In addition, Japan's aircraft service industry is underdeveloped and characterized by a small number of participants, low competition, and extraordinarily high costs. Provided the proper deregulatory environment can be provided, an increase in the number of aircraft to service will result in increased business opportunities in charter flight, aviation service, aircraft storage, maintenance, refueling, and pilot and flight attendant service provision.

## Key Suppliers

Aircraft manufacturers.

Almost all of the major U.S. airframe manufacturers have existing Japanese agents. Most if not all of them are traditional Japanese general trading companies (or their branches or affiliates), all of which have been involved in the aviation business for many decades. This is to some degree a legacy of the early post-war period when trading companies were considered the default approach to market access for a large foreign company that had a major brand (or big-ticket product) but did not require, desire, or consider feasible an independent operation in Japan.

### Japanese agents of major business jets manufacturers

Japanese Agent	Aircraft	Website
Marubeni Aerospace	Gulfstream	<a href="http://www.gulfstream.jp/english/index.html">http://www.gulfstream.jp/english/index.html</a>
Japan Aerospace	Cessna	<a href="http://www.j-aero.co.jp/e_index.html">http://www.j-aero.co.jp/e_index.html</a>
Itochu Aviation co., Ltd.	Beechcraft	<a href="http://www.iaj.co.jp/">http://www.iaj.co.jp/</a>
Sojitz Corporation	BBJ, Bombardier	<a href="http://www.sojitz-bizjet.com/en/index.html">http://www.sojitz-bizjet.com/en/index.html</a>
Aero Partners Inc.	Lear Jets	<a href="http://www.aeropartners.co.jp/en/index.html">http://www.aeropartners.co.jp/en/index.html</a>
Kanematsu Corp.	Hawker	<a href="http://www.kanematsu.co.jp/CONTENTS/eng/index.h">http://www.kanematsu.co.jp/CONTENTS/eng/index.h</a>
Osaka Aviation Inc.	Piper	<a href="http://www.sky-high.co.jp/">http://www.sky-high.co.jp/</a>
Cirrus Japan	Cirrus	<a href="http://www.cirrusjapan.com/">http://www.cirrusjapan.com/</a>

Service providers.

Japan is remarkable for having no industry equivalent of the Fixed Base Operator, or FBO. Instead, all of the functions normally provided by an FBO in, for example the U.S., are covered by a patchwork network of numerous totally separate service companies. For example, flight operations are handled by Company A, ground support by Company B, engine maintenance by Company C, airframe maintenance by Company D, avionics support by Company E, refueling by Company F, and hangar storage by Company G. Typically, these companies are generally small, enjoy a monopoly on their area of operation, lack sufficient capability by global standards, and are extraordinarily expensive.

### Japanese business aviation service companies

Japanese company	Main business	Website
Nakanihon Air service, Co., Ltd.	Handling/maintenance/charter	<a href="http://www.nnk.co.jp">http://www.nnk.co.jp</a>
Aero Asahi Corporation	Handling/maintenance/charter	<a href="http://www.aeroasahi.co.jp/english/index.html">http://www.aeroasahi.co.jp/english/index.html</a>
Excel Air Service Inc.	Charter	<a href="http://www.excel-air.com/index2.html">http://www.excel-air.com/index2.html</a>

Universal Aviation	Handling	<a href="http://www.universalaviation.jp">http://www.universalaviation.jp</a>
Noevir Aviation Co.	Handling	<a href="http://nac.noevir.co.jp">http://nac.noevir.co.jp</a>
Japan Jet Charter Co., Ltd.	Charter	<a href="http://www.japanjetcharter.com/english/home.ht">http://www.japanjetcharter.com/english/home.ht</a>
IASS Co., Ltd.	Handling	<a href="http://iass.co.jp">http://iass.co.jp</a>
JAS Co., Ltd.	Handling	<a href="http://www.jas-fbo.co.jp">http://www.jas-fbo.co.jp</a>
Shizuoka Air Commuter	Charter	<a href="http://www.sacc.co.jp/">http://www.sacc.co.jp/</a>
Western Associates, Inc.	Charter	<a href="http://jet.wai.co.jp/index.html">http://jet.wai.co.jp/index.html</a>
Mainami Kuko Service Co., Ltd.	Handling	<a href="http://mainami-ks.co.jp">http://mainami-ks.co.jp</a>
Share Jet International	Charter	<a href="http://www.sharejet.biz/">http://www.sharejet.biz/</a>

Equipment and parts.

At present the business aircraft equipment and parts market is very small. While equipment and parts are available, lead times are often inconvenient and overall costs are extraordinarily high making it prohibitive for many potential users.

### Prospective Buyers

Key potential buyers of business aircraft (or customers of charter services) include nearly all of Japan's major companies, especially those in the manufacturing sector and those with extensive operations in the U.S. and Asia. The ability to transport not only people but also equipment point to point internationally is a huge advantage when products such as prototypes are involved and gives companies with access to business aviation a strong competitive edge.

### Market Entry Strategies

As mentioned previously, almost all of the major U.S. airframe manufacturers have existing Japanese agents. However, it is not enough in many cases to depend on Japanese agents, mostly general trading companies, to lobby the Government of Japan for the needed regulatory changes. While the JBAA continues to do its part, individual U.S. aircraft firms may wish to consider establishing parallel and independent marketing operations covering Japan.

In addition, any U.S. company with an interest in business aviation, whether a service, parts, maintenance, or other supplier may wish to consider partnering with a Japanese company (for example one of the charter companies) or setting up a consortium. The exact mechanism will depend on the size of the U.S. firm and the extent of its interest in the Japan market.

### Market Access Issues & Obstacles

U.S. suppliers of business aviation products and services are competitive (if not dominant) in the current Japanese market, but the lack of market volume severely limits opportunities for future growth. Japan-registered business jets are subject to Japanese laws and regulations developed for commercial airlines without consideration given to global norms of international general aviation. As a result, JA-registered aircraft are, with only very rare exceptions, used for domestic flights exclusively. Almost all of the few Japanese individuals or companies using business jets for international flights register (and must accordingly hangar and otherwise base) their aircraft overseas, mostly in the U.S.

One key issue that must be cleared before JA-registered aircraft can fly most international routes is the Extended-range Twin-engine Operational Performance Standard, also known by the acronym ETOPS. ETOPS is the International Civil Aviation Organization (ICAO) rule permitting twin-engine, *commercial* air transports to fly routes that, at some points, are farther than a distance of 60 minutes' flying time from an emergency or diversion airport with one engine inoperative.

As a part of a U.S. government-encouraged deregulation effort, the Japan Civil Aviation Bureau extended its ETOPS requirement for chartered business jets from 60 minutes to 180 minutes in July 2008 to promote business jet charter services. With this to 180 minutes, a Japanese operator can provide service the high-demand transpacific flights to Hawaii and North America. As a result, greater market opportunities are expected for business jets such as Gulfstream and Cessna (models with sufficient range) to be purchased and registered in Japan.

For several years, the Japan Business Aviation Association has called for Japan's central government to open up Tokyo's Haneda airport as a regional hub for business jets. International business jet operators often choose to avoid stopping in Tokyo and instead park in other Asian countries, from where their clients fly commercially to Japan. High fees, limited airport access, cumbersome regulations, and the lack of FBO facilities all prevent foreign operators and local companies alike from expanding into business jet charters. The alternative for Japanese VIPs is to charter business jets in other Asian countries.

In April 2005, the Japan Business Aviation Association submitted formal requests to the Japan Civil Aviation Bureau (JCAB) of the Ministry of Land, Infrastructure, Transport, and Tourism (MLIT) to establish needed regulations and laws for business aviation and development of required infrastructure. The request contained 37 items in the following seven areas:

- Fractional Ownership
- Operation of Foreign Registered Aircraft
- Business Charter Operation
- Maintenance of Japan-registered Aircraft
- Use of Airports
- Fee system
- Operation of aircraft

Since that time, JBAA and the U.S. Commercial Service Japan have engaged regularly with both the U.S. business aviation industry and the Japanese government. During the period December 2007 through February 2008, JCAB conducted a first of its kind research project on the use of business jets, conducting hearings and interviews of users, operators, and other industry experts.

On May 30, 2008, JCAB made a public announcement to the effect that JCAB recognizes that the use of business jets is increasingly an indispensable business tool in many countries as a result of rapid globalization, that Japan is behind in development of business aviation, and JCAB is determined to continue to study and review issues for future deregulation and improvement. Specifically, JCAB identified the following problems based on the results of the research:

- The procedures to use airports in Japan are not user-friendly.
- Current Japanese aviation law is not always applicable to or supportive of business aviation.
- It is difficult to obtain appropriate ground support due to lack of dedicated facilities at airports.
- The capacity to receive business jets is most unsatisfactory in the Tokyo area where demand is largest.

The JCAB report further lays out a roadmap of the policy for promoting business aviation known as "The Four F's to Develop Japan's Business Aviation Tomorrow": facilitation, framework, facilities, and fields.

1. Facilitation: Make rules that are easy to understand and compatible with international standards
  - a. Simplify procedures to allow take-off and landing slots and parking spaces
  - b. Simplify procedures to operate business jets
  - c. Shorten the present 7-day advance notification request to land at Haneda
  - d. Improve rules and regulations to maximize parking spaces at Haneda

- e. Provide flexible operations for customs, immigration, and quarantine (CIQ) procedures, and lessen passenger-moving distances
  - f. Increase efficiency and strengthen security measures for business jet users
  - g. Improve business jet owners' understanding of standards and regulations
2. Framework: Establish regulations and laws appropriate for business jets operation
- a. Examine appropriate regulations and laws by studying the needs of users, the actual operation of business jets, ICAO, U.S. (FAA), and European regulations, and current trends for modifications and self-regulation
  - b. Formulate regulations and laws for fractional ownership operation by studying examples from the U.S.
  - c. Define rules for no-charge operations
  - d. Formulate business systems for hiring pilots and the leasing of privately owned aircraft
  - e. Review the registration system of private aircraft
  - f. Review the renewal period of airworthiness certificates, and study issuing standards for continuous airworthiness
  - g. Relax license qualifications for persons engaged in aviation transport; work to conclude a treaty for transferring U.S. pilot licenses to Japanese licenses
  - h. Conduct additional/continuous research on business aviation operations
3. Facilities: Develop business aviation dedicated facilities and promote the establishment of FBOs
- a. Develop dedicated facilities (terminals, hangers, maintenance facilities) with feasibility studies at major airports
  - b. Promote the establishment of business entities for FBO functions
4. Fields: Consider business aviation airports in the Tokyo capital area
- a. Examine the development of business aviation dedicated or prioritized airports by using or transforming existing airports in the Tokyo capital area where the largest and most diverse demand is concentrated.
  - b. Secure landing and take-off slots for business jets at existing airports in the Tokyo capital areas, taking into consideration scheduled commercial flights

## Trade Events

Nikkei Sangyo Shimbun Forum 2008: Business Aviation Seminar, September 18, 2008, Tokyo  
Makoto Shibata  
Nikkei Ad Co., Ltd.  
Tel: 81-3-3549-3025  
shibata@nikkeiad.co.jp

Nagoya Airport Business Aviation Event, November 28, 2008, Aichi  
Masahide Akita, Manager  
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